

**AGENDA**  
**FREMONT REDEVELOPMENT AGENCY REGULAR MEETING**  
**NOVEMBER 23, 2010**  
**7:00 P.M.**

**1. CALL TO ORDER**

**2. CONSENT CALENDAR**

*Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)*

2.1 *Approval of Minutes - for the Regular Meeting of June 2, 2009, the Regular Meeting of July 7, 2009, the Regular Meeting of July 14, 2009, the Joint Redevelopment Agency and City Council Meeting of July 21, 2009, the Regular Meeting and Special Redevelopment Agency and City Council Meetings of July 28, 2009, and the Special Agency Meeting of September 8, 2009*

**3. PUBLIC COMMUNICATIONS**

3.1 Oral and Written Communications

**4. PUBLIC HEARINGS – None.**

**5. OTHER BUSINESS**

5.1 Report Out from Closed Session of Any Final Action

5.2 **AFFORDABLE HOUSING INVESTMENT STRATEGY**

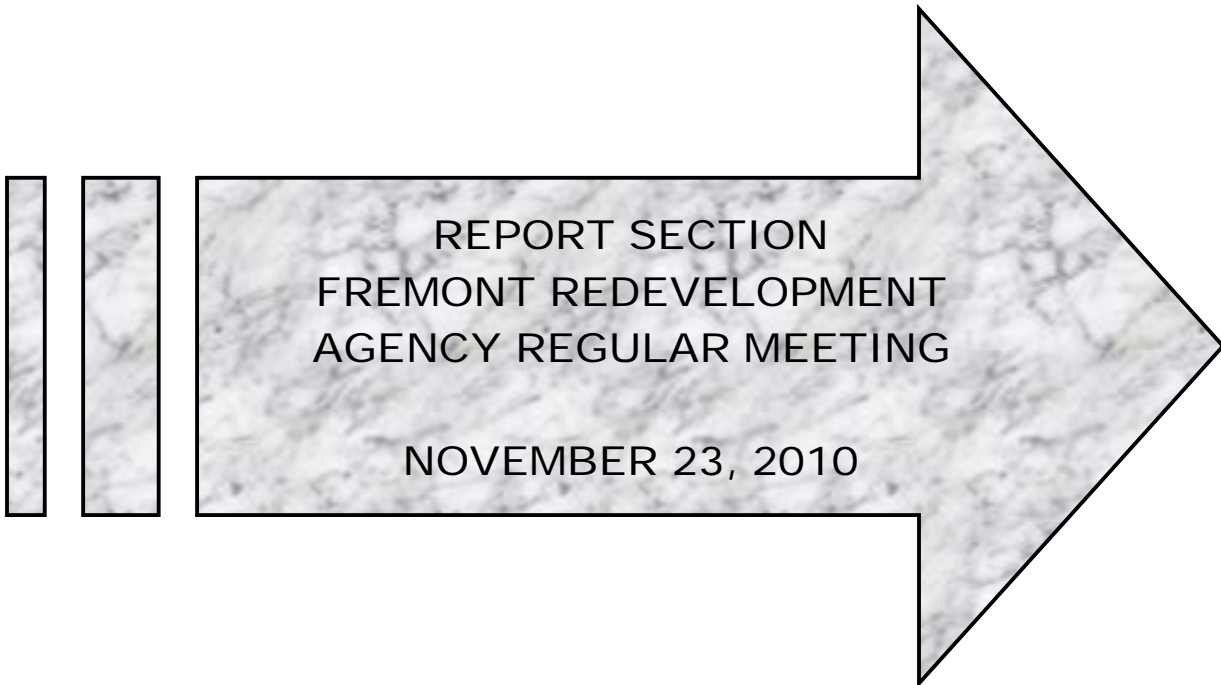
Consideration of an Affordable Housing Investment Strategy to Guide the Expenditure of Agency Affordable Housing Funds

Contact Person:

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RECOMMENDATION: Staff recommends the Agency discuss and consider approval of the draft proposed Amended Agency Affordable Housing Investment Strategy

**6. ADJOURNMENT**





## **5.1 Report Out from Closed Session of Any Final Action**

## 5.2 AFFORDABLE HOUSING INVESTMENT STRATEGY

### Consideration of an Affordable Housing Investment Strategy to Guide the Expenditure of Agency Affordable Housing Funds

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**Executive Summary:** At the July 20, 2010 Work Session, the Agency Board received considerable background data on the need for affordable housing in Fremont, reviewed the Agency's affordable housing programs and production to date and, while answering a number of policy questions, asked staff to return with data on the success of the Homeless Prevention and Rapid Re-housing Program (HPRP) and the City's Affordable Housing Ordinance. Staff has taken this input and now proposes modifying the Agency Affordable Housing Investment Strategy to reflect the Agency Board's desired goals and priorities. Tonight, after a discussion of the data requested by the Agency Board, staff seeks Agency Board action to approve an amended Agency Affordable Housing Investment Strategy.

**BACKGROUND:** In the last few years, the City Council and/or Agency Board have taken action on a number of significant housing-related policies, including approval of the Alameda County EveryOne Home Plan in December 2006, the City's Housing Element Update in fall 2009, adoption of the Agency's Consolidated Amended and Restated Redevelopment Plan for the Fremont Merged Redevelopment Project (Plan Amendment – adopted March 2010), adoption of the Agency's Five-Year Implementation Plan (adopted March 2010), and modifications to the City's Affordable Housing Ordinance (July 2010). In considering these matters, the Agency Board has raised critical issues pertaining to affordable housing and indicated its desire to review the types of affordable housing projects and programs funded by the Agency, in essence, a review of the Agency's Affordable Housing Investment Strategy.

At the July 20 meeting, staff sought guidance from the Agency Board on nine housing policy questions. While the Agency Board requested some additional data at the meeting, Board Members provided significant input to staff and responded to each of the policy questions before them. This information has allowed staff to make draft modifications to the Agency's Affordable Housing Investment Strategy provided this evening for Agency Board consideration. The questions and staff's recommendations based on the Agency Board Members' responses are discussed below.

**DISCUSSION/ANALYSIS:** The Agency Board addressed nine integral questions, categorized as follows:

### **Income Related Questions:**

1. How should the City address the need for the extremely low, very low and low income units; should targets or benchmarks be created? (Resolution of this question was identified as an implementation program in the recent Housing Element update).
2. In order to help meet the City's Regional Housing Needs Allocation (RHNA) numbers set by ABAG in 2007, should the Agency focus expenditure on the low, very low and extremely low income categories?
3. Is the Agency's expenditure target of 80% rental (extremely low to moderate income) and 20% homeownership (moderate income) for funds expenditure reasonable?

### **Housing Type and Program Questions:**

4. Should certain housing types be encouraged for specific population groups such as families, disabled, transition age youth, elderly, and or homeless/special needs, consistent with applicable fair housing laws?
5. Should supportive service housing be established as one component of the Agency's ongoing provision of affordable housing, recognizing that non-Agency funding will be required for project operations/services?
6. Should some portion of Affordable Housing Funds be set aside to provide housing rental subsidies for both homeless prevention and rapid re-housing consistent with California Redevelopment Law (CRL) spending limits?

### **Process Questions:**

7. Should the Agency continue its practice of responding to funding requests as they come in, or should the Agency seek to identify and pursue specific housing types?
8. Are there particular initiatives the Agency Board would like staff to take action on now?

### **Location/Distribution:**

9. How can the geographical distribution of affordable projects best be balanced?

**Responses to Policy Questions:** Responses to these questions are below.

**Questions 1 & 2:** Establishment of targets or benchmarks for income categories; should the Agency focus its expenditure on the low, very low, and extremely low income categories?

The Regional Housing Needs Allocation (RHNA) is a system established by the Association of Bay Area Governments (ABAG) to equitably distribute the additional need for housing, particularly low income housing among Bay Area jurisdictions. The last cycle covered housing production from 1999 to 2007. The chart below outlines the number of assigned units in each income category, the number of units produced in each category and the percentage of each target achieved. While the City made diligent efforts to meet its housing obligation, the City was able to meet the RHNA obligation in one category only: Above Moderate Income.

<b>REGIONAL HOUSING NEEDS ALLOCATION 1999-2007</b>				
<b>Household Income</b>	<b>RHNA Units Assigned</b>	<b>RHNA Units Assigned (Percent)</b>	<b>Units Produced</b>	<b>Percent Achieved</b>
Very Low Income	1,079	16.1%	397	36.8%
Low Income	636	9.5%	106	16.7%
Moderate Income	1,814	27.0%	257	14.2%
Subtotal-Affordable	3,529	52.6%	760	21.5%
Above Moderate Income	3,179	47.4%	4,016	126.3%
Total	6,708	100.0%	4,776	71.2%

Overall, about 71% of the RHNA units assigned to Fremont were actually constructed. However, only about 22% of the total allocated affordable units assigned were constructed.

In addition to making good faith efforts to meet the housing need in each of the categories outlined in the RHNA numbers, the CRL requires the Agency to expend Affordable Housing Funds to assist very low and low income households at least in proportion to their respective need in the community. To determine this income targeting obligation, the Agency must use the City's RHNA numbers and for the prior RHNA cycle (1999-2007), expend Affordable Housing Funds on new and substantially rehabilitated units to assist various income categories of households at least in the same proportions as the RHNA income categories. For example, this would mean that the Agency was required to expend at least 49% of its Affordable Housing Fund on very low income units to meet this standard. In fact, during the most recent 10-year Agency compliance period (July 1998 through June 2008-a slightly different period than that used for the RHNA allocation), the Agency exceeded its minimum targeting requirement by expending 40% of its Affordable Housing Funds on very low income household unit production and 24% on low income household unit production.

The current RHNA allocation for Fremont, which covers the period 2007-2014, is 4,380 units of which 3,111 units are allocated to the affordable income category. See the chart below for the breakdown of household income categories:

<b>CURRENT REGIONAL HOUSING NEEDS ALLOCATION 2007-2014</b>			
<b>Household Income</b>	<b>RHNA Units Assigned</b>	<b>Percent Assigned</b>	<b>Percent Affordable</b>
Extremely Low Income	701	16.0%	22.5%
Very Low Income	647	14.8%	20.8%
Low income	887	20.3%	28.5%
Moderate Income	876	20.0%	28.2%
Subtotal-Affordable	3,111	71.1%	100%
Above Moderate Income	1,269	28.9%	
Total	4,380	100.0%	

For the current RHNA allocation period, the Agency is required to target, at a minimum, 43% of its Affordable Housing Fund to produce housing affordable to very low income households, which includes



23% for extremely low income households, and 20% on housing affordable to very low income households. In order to meet these targets, the Agency will need to expend the majority of its funds on new construction of rental housing which serves extremely low to very low income households.

**Staff recommends that the RHNA allocation units be used as a benchmark for targeting the expenditure of Agency affordable housing funds through 2014. As an example, this would mean that the Agency would strive to build 23% of new units at the extremely low income level.**

Agency Board Members were unanimous in their desire to focus on serving the extremely low and very low income categories. However, they also recognized that it typically takes a greater investment on the part of the Agency to build new housing units at the lowest income levels and that the Agency has competing interests for its resources. As a result, there was a general desire for flexibility in meeting this goal for extremely low income units; it should be used as a benchmark and not an absolute target. But, as discussed above, CRL does require the Agency to target its very low and low income Affordable Housing Fund expenditures in proportion to the same RHNA lower income categories, which is an absolute target.

**Question 3: Should the Agency continue its expenditure target of 80% rental (serving income categories of extremely low to moderate income) and 20% homeownership (serving the moderate income category)?**

Staff recommends the Agency modify its expenditure target to allocate more resources, 90%, to rental (extremely low to the moderate income category of households) and less resources, 10%, to homeownership (assuming it continues to be devoted to moderate income households). To date, the Agency's homeownership program, the First Time Homebuyer Program, almost exclusively benefits moderate income households (the one exception is Adams Avenue where three of the seventeen homes were made available for purchase to low income households). In order for the Agency to focus its efforts on the lowest income categories, the Agency would need to devote less of its resources to programs for moderate income households, such as homeownership programs like the First Time Homebuyer Program. However, staff will try to determine whether demand exists for homeownership in the very low and low income categories and consider whether it would be feasible to create a homeownership program for the very low income.

In June 2010, the City Council approved modifications to the City's Affordable Housing Ordinance. A major modification to the Ordinance provides greater flexibility, allowing developers the option to pay an in-lieu fee instead of setting aside 15% of the development units at below market rate to moderate income households. To date, the City has executed an agreement with the developer of a 54-unit townhome development to pay the in-lieu fee as opposed to constructing affordable homes on site. As a result, the City is expecting to receive approximately \$1,185,000 in in-lieu fees.

In addition, another developer with a 48-unit project has proposed to purchase seven off-site foreclosed homes (condos/townhomes), rehabilitate them, and sell them at a subsidized purchase price to very low income households (50% of area median income) as a way to meet the Affordable Housing Ordinance requirements. If successful, the idea of purchasing foreclosed homes and rehabilitating them for sale may serve as a pilot program for providing more ownership opportunities to very low income, first time homebuyers while simultaneously providing blight elimination opportunities.

The City has no experience with this income level as homeowners and is unfamiliar with this market. As previously mentioned, in 2002, the Redevelopment Agency assisted with the construction of seventeen single family homes in the Adams Avenue development. Three of these homes, constructed by Habitat for Humanity, targeted low income families at 60%-80% of area median income. The three Habitat homes have Habitat first mortgages, which have a zero percent interest rate and a 20-year term, and an Agency-funded, silent-second mortgage which has a zero percent interest rate, requires no monthly payment and is not due until the home is sold. The Habitat homes are still occupied by the original homebuyers.

The City of Pleasanton has a program for very low income homeownership. Pleasanton staff report that this population is a higher risk population because they have limited resources and require more housing counseling services than moderate income first time homebuyers. Additionally, their experience indicates that many do not qualify for loans due to poor credit history and/or lack of sufficient income. Yet while very low income households are a higher risk, Pleasanton staff reports that to date, there has only been one resale in three years and that the majority of these property owners have remained in their homes. **In summary, while staff continues to explore concepts related to homeownership, staff recommends adopting a guideline of devoting 90% of Agency housing revenues to rental units and devoting the 10% balance for homeownership opportunities.**

**Questions 4 & 5:** Should specific housing types for specific population groups be identified and sought by the Agency (for example, disabled, elderly, or homeless/special needs)? Should supportive service housing be established as one component of the Agency's ongoing provision of affordable housing?

While there was much discussion among Agency Board Members about the various types of housing, there was not unanimous direction on any one idea except in the area of supportive housing. Housing types discussed by Board Members included cohousing communities (where households live in separate units but often share common area and facilities – such as a common dining hall - in a tight knit development), mobile home preservation and senior housing. These are ideas that staff can continue to explore in the future.

However, when it came to supportive services housing, there was strong and unanimous commitment from the Agency Board Members. All Board Members recognized that this would require non-Agency funding for project operations/services costs. Several Board Members discussed leveraging the Agency's housing funds in order to obtain outside funding sources such as private grants or Federal/State funding that could be dedicated to the increased operating costs associated with supportive services. In addition to using Agency housing funds for the capital costs related to supportive housing development, a small portion of fees resulting from the Affordable Housing Ordinance could also be used to match and leverage outside funding sources for the ongoing operations/services costs. Supportive services may be provided in multiple ways, sometimes by the housing developer, or the organization managing the housing, or by other community-based service providers who bring services to residents who need them.

When contemplating senior housing, it should be noted that the Agency is limited by California Redevelopment Law (CRL) in how much of its affordable housing funds can be devoted to senior housing. The CRL requires the Agency to expend Affordable Housing Funds in a manner that supports housing available to households of all age levels, including family housing, so as to avoid a concentration of spending for seniors-only housing that is disproportionate to the percentage of

Fremont's low income households that are senior households. This is a precautionary measure taken to ensure that agencies try to meet all affordable housing need and not simply focus on producing housing for the elderly.

**Staff recommends that, whenever possible, the Agency should seek housing types in proportion to the level of the need for the housing type in the community. Staff also recommends that affordable housing projects with supportive services should be encouraged through the use of a small amount of Affordable Housing Ordinance fee proceeds established for this purpose.**

**Question 6: Set aside a portion of Affordable Housing Funds to provide housing rental subsidies for homeless prevention and rapid re-housing?**

With the passage of the American Recovery and Reinvestment Act (ARRA), the City of Fremont received over \$1 million in Homelessness Prevention and Rapid Re-housing funding to assist Tri-City residents experiencing a housing crisis. Launched in November 2009, the program is designed to help prevent homelessness and rapidly re-house those who have recently become homeless. The City partners with Abode Services, which provides rapid re-housing assistance to those who have become homeless. The City's Human Services Department, in conjunction with Housing staff, provide homeless prevention assistance to help individuals and families overcome critical financial situations which might otherwise force them to become homeless. To date, the program has served a total of 118 households consisting of 373 Tri-City residents, of which 57 households and 179 individuals are from Fremont. Approximately \$401,000 of federal stimulus funds have been spent to help these families stabilize their housing situation.

On October 19, 2010, City Council approved \$50,000 in HOME funds to provide rental assistance to 15 homeless families to secure permanent rental housing and to provide these families with rental assistance for three months at a time, extendable for a maximum of 18 months based on need. Abode Services will work closely with each family to identify appropriate housing that they will be able to eventually sustain without subsidy assistance. Once housed, Abode Services staff will be available to provide case management services when or if issues arise and will also provide ongoing training to program participants to help them become better neighbors and tenants.

To assist additional households, staff proposes devoting some of the Agency's housing funds to provide rental assistance to extremely low income seniors and people with disabilities who are at risk of losing permanent housing due to a one-time, clearly defined financial setback. This would be a temporary supplement to the existing Homeless Prevention program, structured as a one-time subsidy to help them through a crisis situation, not an ongoing supplement for a chronic problem. The proposed program could provide up to \$2,000 in one-time rental assistance per household and assist up to 25 households annually. The proposed program is not recommended to be a large financial commitment of the Agency, as it is important to avoid diverting too much funding from the main purpose of the production of new affordable housing units and the substantial rehabilitation of existing units.

Rental assistance for Fremont residents is also provided by Section 8 certificates and vouchers offered by the Alameda County Housing Authority. There are currently 1,407 Section 8 certificates/vouchers under contract and dispersed throughout Fremont, primarily in Centerville, Irvington and Ardenwood. Section 8 contracts can be found not only in City/Agency-assisted developments, but also in privately owned condos, townhomes and single family homes. While the Agency has high maintenance and tenant selection standards for any housing development it invests in, the City/Agency has no such control over

Section 8 affordable housing in private hands. Based on changes in the housing market and an increase in demand for rental units, more and more homeowners are now first time landlords and often do not understand the importance of tenant screening. This is also true with Section 8 voucher holders because inexperienced landlords may mistakenly believe that Section 8 voucher holders are screened by the Housing Authority staff. With the exception of City-sponsored developments, the City has no authority to regulate Section 8 homes, very limited control over their condition, and no involvement in tenant selection.

The Housing Element adopted in July 2009 included an action for the Agency to evaluate development of a Solar Panel Incentive Program (see Enclosures for list of Agency/OHR Housing Element responsibilities). Based on experience gained through administration of federal stimulus funds for energy projects, staff recommends that the Agency establish a broader program that would provide funding for energy efficiency or renewable energy upgrades in existing affordable housing. Eligible projects could include lighting retrofits, replacement of doors and windows, improved insulation, installation of solar panels, etc. Because this program would not increase the number of affordable units, staff is recommending a limited funding target of \$40,000 per year and consideration be given to projects providing greater affordability.

**Staff recommends the Agency allocate 1% of its annual housing fund revenues to one time housing subsidies for homeless prevention and rapid rehousing; and to funding for energy efficiency or renewable energy upgrades in existing multifamily affordable housing.**

**Questions 7 & 8: Should the Agency seek to identify and pursue specific housing types; are there particular initiatives the Agency Board has currently identified?**

At the July Agency Board Meeting, Board Members sought to balance a desire to be responsive to new funding requests with the need to address particular housing needs by seeking proposals for these particular housing types. There seemed to be a particular focus on projects for seniors and transition age youth and a recognition that the Niles Project Area has trailed Irvington and Centerville in the production of affordable housing. It was also suggested that acquisition and rehabilitation of rundown apartments is one way to eliminate neighborhood blight and provide more affordable units.

At the July meeting, speakers, including Congregations Organizing for Renewal (COR), advocated building a youth center with a health clinic, and possibly affordable housing for youth aging out of foster care, at the City-owned park site located at Peralta Boulevard and Dusterberry Way. In October, City staff attended a meeting sponsored by Alameda County Health Care Service Agency to discuss the need for health and youth facilities in the tri-city area. The meeting was well-attended and included community-based organizations, FUSD officials, city and county agencies, community leaders and youth/youth advocates. The purpose of the meeting was to share ideas for potential services and programs that may be offered by a new youth health center, discuss funding resources necessary to build and operate a youth center, and identify other potential partners and opportunities that could help further support a youth center project.

**Staff recommends continuing to pursue a possible project on the site with the understanding that the primary manner in which the Agency can assist is to provide housing funds for any possible affordable housing units to be constructed on site, with limited commitment of the Agency's non-housing funds, and with the assumption that no City General Fund revenues will be necessary to operate any such facility. On a more immediate timeframe, staff recommends devoting a small**

**amount of Agency resources (\$100,000 to \$150,000) to funding for predevelopment activities for the Dusterberry/Peralta site, such as site planning and feasibility analysis.**

To address the lack of affordable housing in Niles, staff recommends that the Henkel site be explored as a possible affordable housing site. This 6.1-acre site is located at 37899 Niles Boulevard in the Niles Redevelopment Project Area. The vacant site would offer an opportunity to locate an affordable housing development in the Niles Project Area. The downside is that the full extent of the contamination and subsequent remediation work is not yet known and the site has not been cleared by the Alameda County Water District or other regulatory agencies. Staff will need to follow up with the appropriate regulatory agencies to determine the status of the site if the Agency Board wishes staff to pursue this site for housing development. **Accordingly, staff recommends exploring possible housing sites in Niles and researching opportunities and constraints associated with the development of the Henkel site to address the lack of affordable housing in Niles.**

The Agency's existing Apartment Acquisition and Rehabilitation Program provides acquisition and/or improvement loans at low interest rates to secure affordable rents over a minimum 55-year term, which is required by CRL. The Agency has been successful in assisting experienced nonprofit housing developers acquire and rehabilitate rental apartments in Fremont. Examples include Century Village (Paseo Padre & Driscoll) and Glenview and the Glen Haven Apartments located on Central Avenue in Centerville. The Agency has been less successful in assisting small apartment owners because in most cases the owners do not want to comply with the minimum 55-year affordability term. Staff has also worked with established nonprofit developers to assist them in acquiring run-down apartments from small owners. In these cases, the property owners usually want far more than fair value for their property. **Since it has been some time since staff has pursued a campaign to target apartments in need of rehabilitation, within the next year, staff recommends conducting a survey of apartments in need of rehabilitation in the Merged Redevelopment Project Area and contacting owners to make them aware of assistance the Agency may be able to provide to help them with improving their property.**

**In summary, staff recommends (1) continuing to pursue the feasibility of residential units for transition age youth on the Dusterberry/Peralta site; (2) exploring possible housing sites in Niles and researching opportunities and constraints associated with the development of the Henkel site; and (3) conducting a survey of apartments in need of rehabilitation in the Merged Redevelopment Project Area and contacting owners to make them aware of assistance the Agency may be able to provide to help them with improving their property.**

**Question 9: How can the geographical distribution of affordable projects best be balanced?**

Like other communities, Fremont recognizes that the dispersion of affordable housing throughout the community, with no concentration in any one area, benefits everyone and contributes to balanced neighborhoods. Unfortunately, it is not easy to scatter affordable housing equally throughout the City because available sites at a reasonable cost are generally located in lower cost areas such as older neighborhoods. Also, the Agency's priority is to invest in affordable housing units that are located inside the Merged Redevelopment Project Area. Under the CRL, Affordable Housing Funds may be used outside the Merged Project Area only upon the finding that such expenditure will benefit the Merged Project Area. This may help explain why Fremont's affordable housing developments appear to be concentrated in lower cost Irvington and Centerville portions of the Merged Project Area. The

geographical distribution of affordable housing can best be balanced by also locating developments near services and public transit.

**Staff recommends that the Agency continue to encourage the production of affordable housing throughout the City and near services and public transit, taking into account CRL production and Housing Fund findings requirements.**

**FISCAL IMPACT:** None at this time. Fiscal impact will be assessed and included in the budget update presented by the Agency Board in January 2011.

**ENVIRONMENTAL REVIEW:** The proposed action does not meet the definition of “project” as defined by CEQA. No further environmental review is necessary at this time.

**ENCLOSURES:**

- [Draft Amended Agency Affordable Housing Investment Strategy](#)
- [Housing Element responsibilities for OHR/Agency](#)
- [July 20, 2010 Agency Board Staff Report](#)

**RECOMMENDATION:** Staff recommends the Agency discuss and consider approval of the draft proposed Amended Agency Affordable Housing Investment Strategy (see Enclosures).`